

Fiscal Note

State of Alaska
2023 Legislative Session

Bill Version:	HB 49
Fiscal Note Number:	3
(H) Publish Date:	1/27/2023

Identifier: 0372-DNR-FMD-1-26-2023
Title: CARBON OFFSET PROGRAM ON STATE LAND
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: Governor

Department: Department of Natural Resources
Appropriation: Fire Suppression, Land & Water Resources
Allocation: Forest Management & Development
OMB Component Number: 435

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2024 Appropriation Requested	Included in Governor's FY2024 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2024	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Personal Services	329.3		329.3	329.3	203.7	203.7	203.7
Travel	20.0		20.0	20.0	20.0	20.0	20.0
Services	47.4		47.4	47.4	32.4	32.4	32.4
Commodities	20.0		5.0	5.0	3.0	3.0	3.0
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	416.7	0.0	401.7	401.7	259.1	259.1	259.1

Fund Source (Operating Only)

1004 Gen Fund (UGF)	416.7		401.7				
1005 GF/Prgm (DGF)				401.7	259.1	259.1	259.1
Total	416.7	0.0	401.7	401.7	259.1	259.1	259.1

Positions

Full-time	3.0						
Part-time							
Temporary							

Change in Revenues

None	***		***	***	***	***	***
Total	***	0.0	***	***	***	***	***

Estimated SUPPLEMENTAL (FY2023) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2024) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? yes
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? yes
If yes, by what date are the regulations to be adopted, amended or repealed? 06/01/24

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

Prepared By: Helge Eng, Director of Forestry and Fire Protection
Division: Forestry & Fire Protection
Approved By: Theresa Cross, Administrative Services Director
Agency: Natural Resources

Phone: (907)269-8474
Date: 01/24/2023 06:30 PM
Date: 01/25/23

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2023 LEGISLATIVE SESSION**Analysis**

This bill establishes a statewide carbon offset program within the Department of Natural Resources. The proposed offset program has the potential to generate an additional revenue stream for the State of Alaska through biologic carbon storage projects that can mitigate a portion of the carbon dioxide emitted by activities around the State, nation, and world. This offset program will allow private parties to lease state land in order to undertake carbon offset and management programs and would allow the Department of Natural Resources to implement its own carbon offset projects on State lands.

The bill identifies the criteria to be used to establish the program, provides direction for the department related to administration of the new program, requires a public decision process for carbon projects on state lands, and allows for the sale of carbon offset credits. Revenue from carbon offset sales will be placed in a new carbon offset credit fund to provide funding for the administration and implementation of the program, and excess funding can be drawn from the fund for general State expenses in the future.

REVENUE

Revenues are not specifically estimated because of the market and timeline uncertainty for carbon offset projects. After legislative enactment, the Department assumes that program stand-up and initial project solicitations would occur during CY 2023 and 2024. Project development is estimated to begin in CY 2024 or 2025. It is possible that initial leasing revenues could occur shortly after enactment based on market response, but the size of these revenues is currently indeterminate. Current approximations for voluntary carbon offset projects have a development timeline of at least 18 months before generating credits, and thus the first credits from projects could begin to accrue in CY 2025, 2026, or 2027 based on when they are initiated by market participants. The Carbon Offset Fund proposed by legislation would potentially fund future program expenses and require revenue from the program to cover its costs.

EXPENDITURES

The Department will lay a foundation for initial applications for offset and sequestration projects and then fill out staffing based on program demand. A large project coordinator and administrative officer housed in the Department's Office of Project Management will coordinate Department subject matter experts, planners, foresters and adjudicators in the Divisions of Mining, Land & Water and Forestry & Fire Protection. If the program is popular, the Department will hire additional staff necessary to implement the program with carbon offset program funds. Some startup staff are initially funded for three years; if demand requires continued funding, the Department will fund positions through the Carbon Offset Fund.

The Department suggests establishing a separate carbon offset/sequestration program office, but the planner and forester positions would be located within the Division of Forestry & Fire Protection to focus on State Forest planning and inventory.

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FISCAL NOTE ANALYSIS

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BILL NO. LL0372

Analysis

Personnel:

Planner (Range 18) (consisting of either a Forester 3; or Natural Resources Specialist 3; or Natural Resources Manager 1): Years 1 - 3: Coordinates and completes updates of three State Forest Management Plans; Analyzes projects and provides input on BIFs and AS 38.95.410(a)(4): "reasonably foreseeable effects that a project may have on the state or local economy." This position will be housed in DOF.

Two Forester 2s (Range 16) (consisting of one Forester in Haines and one Forester in Fairbanks): Performs forest inventory work, calculates additionality and sequestration potential; Provides input on BIFs and carbon offset decisions. This position will be housed in DOF.

Travel:

The Department anticipates annual travel expenses for forest inventory and public meetings associated with updating the state forest management plans.

Services:

Contractual costs for office space, telephones, core service charges and related expenses for new positions are \$15.0 per position annually. Funding for training staff on carbon offsets and other programmatic areas is estimated at \$2.4 annually.

Commodities:

Supply costs including computers are \$1.5 per person annually. Initial office set up is a one-time cost of \$5.0 per staff.

Potential Fire Suppression Costs:

After a carbon offset project is inventoried and prepared, but before the project is sold on the registry, there is a risk of the project area being burned by wildfire, resulting in release of stored carbon into the atmosphere. After the project is sold, protection mechanisms can be created against wildfire losses such as an insurance policy "buffer account." The cost of suppressing a wildland fire in a carbon offset project that has been prepared but not yet sold may be millions of dollars, depending on weather and fire complexity. If there are communities at risk at the same time, protecting the carbon project would be a lower priority than protecting the community. Regardless of whether resources are available at the time of a fire threatening a carbon project, using our limited fire resources to protect carbon offset lands would reduce public safety.